

**LOCAL GOVERNMENT TAX CONTROL BOARD**



**RECOMMENDATIONS**  
**TO THE**  
**DEPARTMENT OF LOCAL GOVERNMENT FINANCE**  
**FROM**  
**SEPTEMBER 18, 2007**

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## Call to Order

Dave Christian called the September 18<sup>th</sup> 2007 Local Government Tax Control Board meeting to order at 10:30 am. Board members present were Dave Christian, Dan Jones, Stan Mettler, John Stafford (via conference call), Ken Kobe, Ken Giffin and Lisa Decker (via conference call until 11:10). Judy Robertson was the administrative officer for the meeting.

### Perry Township, Marion County Emergency Fire Loan

Summary: The unit is requesting approval to obtain a loan in the amount of \$2,957,303 for a term of one (1) year for the purpose of financing the personal services expenses of the fire department through 2007.

Project Costs: \$2,957,303      Amount applied to debt: \$2,957,303      Annual Payment: \$3,123,651

Emergency Loan Calculation:	2007	Budget Information	Amount
Certified Property Taxes	\$7,045,401	Advertised Budget	\$10,743,865
Certified Misc. Revenue	\$962,362	Adopted Budget	\$10,743,865
Jan. 1st Cash Balance	\$41,723		
Total Funds Available	\$8,049,486		
Less: Prior Year Encumbrances	\$0	DLGF:	
Less: Estimated Expenses	\$10,939,865	Approved Budget	\$7,955,179
Funds Needed	<b>\$(2,890,379)</b>	<b>Budget Deficit</b>	<b>(\$2,788,686)</b>

Tax Rate Impact:	2007 AV	\$3,192,297,700
	Levy Needed	\$3,123,651
	Est. Tax Rate	.0978

#### Meeting and Publication Dates:

Date of publication for a public hearing	06/01/2007
Date of public hearing	06/12/2007
Resolution/Ordinance adopted	06/12/2007
Notice of Determination	06/15 & 22/2007

Auditor's Certificate of No Remonstrance	07/25/2007
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Previous Recommendation from meeting held on August 7<sup>th</sup>, 2007:

Ken Kobe motioned to recommend approval of an emergency fire loan in the amount of \$1,800,000 (the same as last year's loan) for a term of one (1) year. Ken Giffin seconded and further discussion ensued. John Stafford: I am more interested in the property tax impact that the amount of the loan. I would offer an amendment to approve the full amount but the rate would not exceed four cents for the debt retirement. Ken Giffin's second was withdrawn in order to change the motion. Ken Giffin seconded the amended motion and the amended motion carried 6-0.

#### Attendance

The following people attended the meeting: Brian Bosma (Attorney), Gary Coors (Trustee), Jeff Peters (Accountant), and Robert Zickler (Perry Fire Department).

Discussion:

Brian Bosma: I am here representing Perry Township as their attorney. They originally requested an emergency loan in the amount of \$2,957,303 and the DLGF granted them \$1.8 million. I want to try to explain what that did to them. I would like to begin by giving a history of how emergency loans came into existence. The maximum levies were frozen in 1973. At that time, the population of Perry Township was a fourth to a fifth of what it is today. All the townships surrounding Center were largely still rural communities. In the mid 1980's there was a wave of growth and townships needed a safety release valve. The need for fire protection service increased ten to fifteen percent per year while the levy increases were only about four percent per year; therefore, the need for emergency loans.

Mr. Bosma then discussed the handout that was presented to the board members. The handout detailed the following charts and points:

- A chart of housing units permitted by Marion County Townships during 1999–2006
- A chart of the annual fire and emergency medical service runs for Perry Township
  - That relates to 22 runs per day for Perry Township Fire Department
- A chart of the Township Assessed Valuation – shows a slight decrease in 2007
- A chart of the Township's tax rate from 2000-2007 – remained steady with a decrease only in 2005
  - 92% of the budget is for personnel services. If we only receive \$1.8 million, then the fire department would have to permanently terminate 54 firefighting personnel or lay-off 75.
- Perry Township Budget 2005-2007 with sources of funding
  - The next question is: If the budget increased only four percent, then why did the emergency loan amount increase by \$1.5 million this year? The trustee used half of the available COIT to retire the 2005 debt instead of using it for 2006 operations. In 2007, he used almost all of the COIT to retire the 2006 debt and left none for 2007 operations. The trustee usually likes to keep \$350,000 to \$400,000 in the checking account at the end of the year for first of year operations, but because of a change in administration, there was none to begin the 2007 year. The previous trustee spent all but \$41,000, which relates to a loss of an additional \$350,000 cash-in-hand to begin the year with.
- Perry Township Budget 2007 with \$1.8 million emergency loan Order; quarterly analysis
- Solutions to Perry Township Budget 2007
- Perry Township Trustees' Office firefighter layoff calculation

This isn't a good process, I know that, but it is the only one we have. If these loans are not approved, it would mean that we would have to terminate or lay-off personnel. For Perry Township, that means that instead of having 33 firefighters per shift, they would have a total of 33 to cover 42 square miles.

If Perry Township consolidated with IFD, then the rate would increase by about a dime. We cannot remove ourselves from this process at this time of the year. If we reduce staff by 75 people and the insurance carrier learned of it, then there could be some severe repercussions. They could cancel the insurance policy and homeowner's insurance would probably skyrocket. Again, I know this is not a good process, but I don't think this is a good time to close the gate.

Questions by board members:

Dave Christian: The gates have already been opened; this is an "after the fact" situation. The question is should we close the gate? This is not an emergency loan process. The emergency comes when either we or the Commissioner denies the request or modifies the amount. You need to come up with a different

approach. If the legislators do not “fix” the problem, then the townships are going to have to come up with their own solutions.

Ken Kobe: The townships should have been allowed a small increase in their rates instead of coming in for a one-time hit; especially because of the decrease in assessed value.

Brian Bosma: I agree that this was not the best long-term decision.

John Stafford: What has happened to the township COIT distribution over the last three years?

Brian Bosma: They allocated almost all of it to retire the debt service. At the same time, they were not requesting an appeal. That created a \$3.08 million shortfall, or about 4%, for next year. With the appeal filed for this year to take effect in 2008, they will still be \$1.6 million short. They will either need to trim their expenses or find a way to increase revenues.

John Stafford: What is the current tax rate needed to retire the debt and what is the anticipated rate for 2008?

Jeff Peters: The estimated rate for 2008 is 4¢ and the current rate is .0111¢ for the 2006 loan – an increase of 3¢.

Ken Kobe: Is the civil side growing faster than the fire side, which I see is about seven percent? If you worked on the civil side, would you be able to put more incoming revenue on the fire side?

Jeff Peters: We really have not analyzed the civil side; we have concentrated on fire.

Stan Mettler: When was the last time you were granted an increase to the maximum levy?

Jeff Peters: We were eligible last year, but the amount would only have been about \$500,000. We are filing for an appeal this year for over a million dollars.

Stan Mettler: Have any of you approached your local legislators for a one-time increase so that emergency loans would not be needed?

Gary Coors: Yes, both Senator Merritt and Senator Walls.

Stan Mettler: What was the result of the discussion?

Gary Coors: That they would continue to discuss it.

Dan Jones: Marion County adopted the Public Safety Local Option Income Tax – does any of that revenue get distributed to the townships?

Brian Bosma: No, the statute says only to municipalities. Municipalities are defined as only counties, cities and towns. So, all of that money will go to Indianapolis, the excluded cities, and Marion County.

Dan Jones: Is there a way to structure this loan so there is no increase in taxes?

Jeff Peters: The only way to do that is to use COIT, but when we do that, the emergency loan in the following year is increased.

Dave Christian: This is not “business as usual” and townships need to approach it that way.

Recommendation:

Ken Giffin motioned to recommend the restoration of the original amount requested for an emergency fire loan in the amount of \$2,957,303 without a debt service rate cap. Dan Jones seconded and the motion carried 6-0.

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**Decatur Township, Marion County  
Emergency Fire Loan**

Summary: The unit is requesting approval to obtain a loan in the amount of \$1,200,000 for a term of one (1) year for the purpose of funding fire department operations for 2007.

Project Costs: \$1,200,000      Amount applied to debt: \$1,200,000      Annual Payment: \$1,271,665

Emergency Loan Calculation: <b>2007 proposed</b>	
Certified Property Taxes	\$3,739,943
Certified Misc. Revenue	\$512,328
Jan. 1st Cash Balance (June 30)	\$215,337
Total Funds Available	\$4,273,808
Less: Prior Year Encumbrances	\$0
Less: Estimated Expenses	\$5,614,757
Funds Remaining (Needed)	\$(1,340,949)
Advertised Budget	\$5,614,757
Adopted Budget	\$5,614,757
Less Certified Budget	
Budget cut by DLGF	

Tax Rate Impact:	2006 AV	\$1,042,969,390
	Levy Needed	\$1,149,040
	Est. Tax Rate	.1102

Meeting and Publication Dates:

Date of publication for a public hearing	01/17 & 31/2006
Date of public hearing	02/06/2007
Resolution/Ordinance adopted	02/06/2007
Notice of Determination	02/09/2007

Auditor' Certificate of No Remonstrance      03/12/2007

Previous Recommendation from meeting held on March 22<sup>nd</sup>, 2007:

Ken Giffin motioned to recommend approval of an emergency loan in the amount of \$1,200,000 for a term of one (1) year for the purpose of funding fire protection expenses. Dan Jones seconded and the motion carried 6-0.

Attendance

The following people attended the hearing: Steve Buschmann (Attorney), Dale Henson (Fire Chief), and Steve Rink (Trustee).

Discussion:

Steve Buschmann: We came earlier in the year for a loan of \$1.2 million which this board approved. The Commissioner cut that request to \$972,850. That has created a cash-flow problem for us. We are getting less revenue because of what is happening in Marion County. If we could have the amount restored to \$1.2 million, then we could make it through the end of the year.

Steve Rink: The original emergency loan calculation was based on estimated 2007 revenue. Because of the reassessment ordered in Marion County, and the Governor allowing taxpayers to pay the 2006 tax amount, our revenue is less than estimated.

Questions by the Board Members:

Ken Kobe: Why did the DLGF cut the loan amount?

Steve Rink: They based our need on the cash available, anticipated levy and misc. revenue. Our levy was then cut back to the 2006 level.

Dan Jones: I know this unit will have a shortfall because of the ordered reassessment.

Steve Buschmann: The only reason we are short by only \$222,000 is because of some debts that have been forgiven and the Indiana Bond Bank working with us.

Ken Giffin: I think it is inconsistent to not grant relief because of the certified levy not being received.

Recommendation:

Ken Giffin motioned to recommend approval to restore the original amount of the emergency loan request to the amount of \$1,200,000. Ken Kobe seconded and the motion carried 6-0.

Dan Jones: When the reconciliation bills are settled next spring, the township will use the additional revenue to retire the debt.

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**Pike Township, Marion County  
Emergency Fire Loan**

Summary: The unit is requesting approval to obtain a loan in an amount not to exceed \$2,000,000 for a term of one (1) year for the purpose of financing the personal services expenses of the fire department through 2007.

Project Costs: \$2,000,000      Amount applied to debt: \$2,000,000      Annual Payment: \$2,068,889

Emergency Loan Calculation:		Budget Information	Amount
Certified Property Taxes	\$11,594,734	Advertised Budget	\$17,373,876
Certified Misc. Revenue	\$3,737,563	Adopted Budget	\$17,373,876
Jan. 1st Cash Balance	\$1,056,142		
Total Funds Available	\$16,388,439		
Less: Prior Year Encumbrances	\$477,363	DLGF:	
Less: Estimated Expenses	\$17,373,876	Approved Budget	\$14,575,953
Funds Needed	<b>\$(1,462,800)</b>	<b>DLGF cut budget</b>	<b>(2,797,923)</b>

Tax Rate Impact:	2007 AV	\$4,783,306,167
	Levy Needed	\$1,978,889
	Est. Tax Rate	.0414

Meeting and Publication Dates:

Date of publication for a public hearing	07/06 & 09/2007
Date of public hearing	07/17/2007
Resolution/Ordinance adopted	07/17/2007
Notice of Determination	07/20 & 27/2007

Auditor's Certificate of No Remonstrance 08/21/2007

Attendance

The following people attended the meeting: Lucy Emison (Ice Miller), Lula M. Patton (Trustee), Gerald George (Fire Chief), and Herschel Frierson (Financial Advisor with Crowe Chizek).

Discussion:

Lucy Emison: Pike Township's request was only cut by \$77,000 and they say they can live with that. Pike Township would like to withdraw any request for reconsideration.

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**Lawrence Township, Marion County  
Emergency Fire Loan**

Summary: The unit is requesting approval to obtain a loan in the amount of \$1,836,000 for a term of one (1) year for the purpose of restoring the fire budget adopted by the township board.

Project Costs: \$1,836,000      Amount applied to debt: \$1,836,000      Annual Payment: \$1,954,440

Emergency Loan Calculation:		Budget Information	Amount
Certified Property Taxes	2007 \$7,805,609	Advertised Budget	\$13,010,122
Certified Misc. Revenue	\$1,799,405	Adopted Budget	\$11,827,384
Jan. 1st Cash Balance	\$445,090		
Total Funds Available	\$10,050,104		
Less: Prior Year Encumbrances	\$6,300	DLGF	
Less: Estimated Expenses	\$11,959,728	Approved Budget	\$9,317,593
Funds Needed	<b>\$(1,909,624)</b>	<b>Budget Deficit</b>	<b>(\$2,509,791)</b>

Tax Rate Impact:	2007 AV	\$4,006,986,396
	Levy Needed	\$1,828,240
	Est. Tax Rate	.0456

Meeting and Publication Dates:

Date of publication for a public hearing	05/11 & 18/2007
Date of public hearing	05/22/2007
Resolution/Ordinance adopted	05/22/2007
Notice of Determination	06/14 & 21/2007



Previous Recommendation from meeting held on August 7<sup>th</sup>, 2007:

Ken Kobe motioned to recommend approval of an emergency fire loan in an amount not to exceed what is needed to keep the tax rate constant at about two cents and not to exceed last year's amount of \$800,000. Ken Giffin seconded and the motion carried 5-1 with Stan Mettler opposed to the motion

#### Attendance

The following people attended the meeting: Lucy Emison (Bond Counsel with Ice Miller), Paige Gregory (Financial Advisor with H.J. Umbaugh), Loren Heger (Chief of Staff, Trustee's Office), Mike Healy (Chairman, Township Advisory Board), Brian Wisehart (Assistant Fire Chief), Dan Hedden (Financial Advisor with H.J. Umbaugh), Randle Pollard (Counsel to Lawrence Township), Mike Reeves (Firefighter), Emmajean Hines (Lawrence Township Board) and Jim Merritt (State Senator).

#### Discussion:

Dan Hedden: I would like to echo what Mr. Bosma said earlier. On January 1<sup>st</sup> of each year, the fire department knows that they already have a 16%-20% unfunded budget. Every three years we can appeal to increase the levy and that decreases the shortfall each year thereafter. The loan is needed to fund existing staff. If the township was a municipality, it would be the third largest in the State. We are asking you to reconsider the \$800,000 previously approved and restore the amount back to \$1.8 million. Again, as Mr. Bosma stated, we are at the end of the year with no or few options available to us. 94% of the budget is for personnel. In order for us to cut costs at this time of the year, it would mean lay-offs. As a buffer for on-going operations, if we do borrow more than is needed, the cash rolls over to the next year in the January 1<sup>st</sup> cash balance and is used to reduce next year's levy.

The unit provided a handout that detailed the following points:

- Overview
  - Without restoration of the loan amount, the Township will need to lay-off firefighters effective 11/01/2007; some will be permanent lay-offs
  - Will need a larger emergency amount in 2008
  - Township historically has asked for only what was needed
  - This process is relied upon to fund existing personnel and fire protection services
  - The Township traditionally hires late in the year once emergency loan has been approved
- Historical Information and Trends Charts
  - Historical and estimated cumulative tax rates for the Township
  - Historical and estimated levies to support fire protection services
  - Historical and estimated assessed values
  - Historical and estimated spending
  - Operating balance of the fire fund (compared to targeted balances)
  - Historical and estimated staffing levels
  - Historical and estimated incident responses
  - Population trend in the Township
- 2007 Budget
  - Budget submitted provided for 125 firefighters, 18 EMT's and 6 civilians
  - Of these 149 positions, 139 are currently filled: 119 firefighters, 15 EMT's and 5 civilians
  - Impact of reduced emergency loan
  - Available temporary options to Township

- Available permanent options to Township
- Other considerations
- 2008 Budget

In summary, the requested amount of \$1,835,756 was computed based on existing and necessary operational needs. The Township cannot control the growth rate of property taxes or the level of miscellaneous revenues (such as COIT). Townships will not receive funding from Public Safety LOIT. Customer demands do not decrease in correlation to funding shortfalls. The Township has demonstrated fiscal conservatism via low operating balances, delayed hiring, and all budget to actual savings are used to reduce future emergency loans. The Township has followed all statutory requirements including a public hearing to demonstrate the impact on taxpayers; there were no objections in Lawrence Township. The Township respectfully requests that the Local Government Tax Control Board reconsider the approval of the \$800,000 emergency loan and increase the amount to \$1,835,786.

Questions by board members:

Dave Christian: Explain the difference between the 2006 and 2007 budget year increases.

Dan Hedden: They are trying to set aside a two-month cash reserve at the end of the year. At best, they should have a six-month reserve because of the way taxes are distributed. Because they only have a two-month reserve, it necessitates tax anticipation warrants, which means more interest expense.

Dan Jones: What are the cash balances in other funds?

Paige Gregory: The Rainy Day fund has a balance of \$78,000, but I know there are some capital purchases they would like to make by the end of the year. There is a balance of \$27,000 in the general fund and as of June 30<sup>th</sup>, 2006, and a balance of \$73,000 in poor relief.

Dan Hedden: There has been an increase in staffing from 120 to 149 since 2003. Current staff is 139.

Dave Christian: What were the increases in other items except personnel?

Dan Hedden: The "other" increases were inflationary amounts only. Personnel expenses are 94% of the budget. There is a need for more staff.

Fire Chief: The day-time population is double than the night-time population. The area during the day is very congested and difficult to get around.

Dan Hedden: Our options are to 1. Lay-off firefighters and close two, possibly three, out of four stations; 2. Liquidate the cum fund, which would only be a Band-Aid, not a fix;

Ken Kobe: What is the balance in the cum fund?

Paige Gregory: At the end of August it was \$1.7 million.

Dan Hedden: 3. We could permanently eliminate 30 firefighters, or 22% of the workforce. That would close stations; or 4. We could continue with emergency loans. Taxpayers generally do not mind paying for necessary services if the purpose is communicated well. Our problem is fluctuating assessed values, revenues, etc.

Stan Mettler: Do you cover the whole Township, including the City of Lawrence?

Fire Chief: We cover 30 square miles in total on both sides of Geist. The City has its own fire department and we provide mutual aid.

Stan Mettler: I am going to ask you the same question that I asked the others – have you talked to legislators about options?

Trustee: Yes, several times.

Stan Mettler: What was their response?

Trustee: They still would like to continue to talk. We are talking about consolidating with IFD also.

Dave Christian: If consolidation does occur, what would the tax rate impact be?

Paige Gregory: About nine cents, depending on the assessed value.

Stan Mettler: The provisions for emergency loans are written "for costs not anticipated". Aren't your costs anticipated though? You know at the time you approve the budget that you have a funding shortage.

Paige Gregory: It has never been unanticipated. The Statute says that if an emergency exists, and that is how we justify this.

Ken Kobe: Can the Township expect twelve to twenty-one percent growth every year?

Dan Hedden: The department is in planning to provide service based on population and needs.

Ken Kobe: What is the anticipated growth rate for 2008 in the budget?

Trustee: The anticipated growth for 2008 is 11.9%.

Dave Christian: That is where I have a problem with this. This is not an emergency; it is the normal way of funding operations. No one is saying that it is illegal or that you have not followed the Statute. Again, this is not "business as usual".

Stan Mettler: As part of the funding problem – have you talked to legislators about capping the rates and not the levies?

Trustee: Not specifically.

Dan Jones: On page 13 of your handout it shows a population of 15,000 – does that include the City?

Trustee: No, that is only for the Township. The City of Lawrence's population is about 40,000 – 45,000.

Dan Jones: Page 15 you calculated a \$1 million shortfall, and again on page 16. Is that \$1 million to fund all the positions filled, or are you using the emergency loan to fund vacant positions that have been vacant for three quarters of the year?

Dan Hedden: That includes the vacant positions because the original plan was to have those positions filled.

Dave Christian: How many do you anticipate hiring?

Fire Chief: Six firefighters and fifteen EMT's.

Dan Jones: If we approve the \$1 million I think we are approving too much. The vacant positions have been vacant for two thirds of the year.

Dan Hedden: But that would roll over to next year and reduce the amount of tax anticipation warrants we would need to issue.

Fire Chief: If I do not receive an additional funding Order soon, then I will need to lay off 54 firefighters and 15 EMT's by November 1<sup>st</sup>. After the approval Order is issued, I have to wait an additional thirty days.

Paige Gregory: Marion County's tax bills have been reduced to the 2006 level, which relates to a loss of \$300,000. That was not accounted for in the original emergency loan calculation.

Dave Christian: This is to fund new hires, not existing staff.

Dave Hedden: No, there are existing people attached to this request.

Mike Healy: Senator Jim Merritt was here earlier but could not stay. He has met with the Commissioner, Cheryl Musgrave, earlier and is very forcefully in favor of these loans. Change is in the air and will be enforced.

Emmajean Hines: Change is in the wind and it is no longer "business as usual".

John Stafford: I intend to vote in approval of this, but I still say that it is very much a myth that property tax controls apply to townships.

Dave Christian: I agree with my colleagues and under normal circumstances I would oppose this. But, with Mr. Healy and Ms. Hines' comments that it is not "business as usual" and that change is in the air, you have changed my mind.

Recommendation:

Stan Mettler motioned to recommend approval of an additional \$1,035,786 for an emergency fire loan. Ken Kobe seconded and Dave asked if there were any further comments or discussion.

Further Discussion:

Ken Kobe: I am still comfortable with the previous recommendation but am prepared to second the motion in the belief that, if not approved, significant immediate personnel cuts would be required. I would caution however, that, in my opinion, a request in 2008 based upon the currently projected 12% budget increase would not be viewed favorably by the Board.

After this further discussion the motion carried 6-0.

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